APPENDICES

APPENDIX A

ECONOMIC AND INDUSTRY OVERVIEWS

National Economic Review - 1st Quarter 2000

General Economic Overview

According to preliminary estimates released by the Department of Commerce's Bureau of Economic Analysis, real Gross Domestic Product ("GDP"), the output of goods and services produced by labor and property located in the United States, increased at an annualized rate of 5.2% during the second quarter of 2000. Growth in GDP for the first quarter of 2000 was revised to 4.8%, lower than the preliminary estimated annualized growth rate of 5.4%. Increases in nonresidential fixed investment, personal consumption expenditures for services, inventory investment, and federal government spending were major contributors to the increase in GDP. The contributions of these components were partially offset by an increase in imports which are subtracted in the calculation of GDP. Annual growth in GDP for 1999 was 4.2%, modestly lower than the 4.4% growth rate reported for 1998. Economic growth is expected to continue but at a slower pace with expected growth in GDP ranging from 3.5% to 4.0% during the last half of 2000.

The Conference Board reported that the Composite Index of Leading Economic Indicators ("LEI"), the government's primary forecasting gauge, remained steady in June after holding steady in April and decreasing by 0.1% in May. The index attempts to gauge economic activity six to nine months in advance. Multiple consecutive moves in the same direction are said to be indicative of the general direction of the economy. In June, four of the ten leading economic indicators rose. The most significant increases were manufacturers' new orders for non-defense capital goods, stock prices, average weekly manufacturing hours, and building permits. The largest negative contributors to the leading index in June were interest rate spread, average weekly initial claims for unemployment insurance, consumer expectation, and manufacturer's new orders for consumer goods and materials. According to The Conference Board, the LEI, coupled with a modest increase in the coincident index and a strong gain in the lagging index, suggests a continued but more moderate pace of economic expansion during the balance of the year.

The Dow finished the quarter 4.3% lower than first quarter 2000, down 9.1% for the year. The S&P decreased 2.9% for the quarter, down 1.0% for the year; and the NASDAQ decreased 13.3% during second quarter 2000, down 2.5% for the year. Treasury bond yields declined by the end of the second quarter after increasing in May. The Federal Reserve (the "Fed") increased the federal funds rate in May and held rates steady in late June. The Fed is closely monitoring economic growth and has acted at six of its last nine scheduled meetings to raise interest rates in order to mitigate inflation. There is no clear expectation as to the Fed's next policy action.

Consumer Spending and Inflation

According to the Bureau of Labor Statistics the Consumer Price Index ("CPI") increased 0.6% to 172.3 in June (CPI - all urban consumers, 1982-1984 = 100, before seasonal adjustment). Excluding food and energy, the CPI-U increased a seasonally adjusted 0.2% in June, the same as in both April and May. The seasonally adjusted annual rate of inflation for the second quarter of 2000 was 2.6%, compared to 4.2%, 2.2%, and 5.8%, respectively, for third quarter 1999 through first quarter 2000. The energy index, which increased 13.4% in 1999, has advanced at a seasonally adjusted annual rate of 26.6% in 2000. Petroleum-based energy costs have risen at a 44.6% seasonally adjusted annual rate through the first half of 2000. The year-to-date annual rate of inflation is 4.2%. The inflation rate for 1999 was 2.7%; higher than the 1.6% rate of 1998 which was the smallest annual increase since a 1.1% rise in 1986. The Producer Price Index ("PPI"), which is generally recognized as predictive of near-term consumer inflation pressure, increased 0.6% in June (PPI for finished goods, seasonally adjusted) following no change in May and a decline of 0.3% in April. The PPI rose 4.3% from June of the prior year. As with measures from the first quarter, a significant portion of the increases in PPI are related to petroleum prices. Core PPI rose 1.4% from levels of one year ago.

According to the Census Bureau of the Commerce Department, the percent change in retail sales for April to May 2000 was revised from –0.3% to +0.3%. The advance estimate for June retail sales (adjusted for seasonal, holiday and trading-day differences) reflected an increase of 0.5% from May and an 8.7% increase over June

1999 sales. Personal consumption spending represents approximately two-thirds of total economic activity and is generally the primary component of economic growth. Real personal consumption spending increased 3.0% in the second quarter of 2000, following a 7.6% increase in the first quarter of 2000. Durable goods purchases decreased 3.9% in the second quarter after an increase of 23.6% in the first quarter of 2000.

The Financial Markets

The stock markets continued to display volatile performance with prices generally declining across the spectrum of small and large capitalization companies, as well as old and new economy issues. The Dow Jones Industrial Average ("DJIA" or the "Dow") closed at 10448, down 4.3% for the quarter and 9.1% off the 1999 year-end close. The Standard & Poor's 500 ("S&P 500") index decreased 2.9% during the quarter to close at 1455, 1% below year-end 1999. The NASDAQ Composite Index saw the largest decline during the quarter at 13.3%. Closing at 3966, the NASDAQ Composite Index was down 2.5% for the year. Notable in the third quarter was the erratic performance of the NASDAQ, which declined over 25% in the second week of April. Much of this loss was recovered with a 19% gain for trading the week ending June 2. The broad market Wilshire 5000 index closed at 13619, reflecting a quarterly loss of 4.7% and a year-to-date loss of 1.4%.

The monthly average yields to maturity on the 30-year Treasury bond during the second quarter of 2000 were 5.85%, 6.15%, and 5.93%, respectively, for April, May, and June. Bond prices are negatively correlated with their respective yields, which can shift abruptly on investor reactions to major variances in reported economic data versus market expectations (i.e., expected inflation, growth, monetary policy and other Fed action, etc.). As would be expected, yields reflected the impact of the Fed's rate hike in May. In April bonds price were modestly better than in March but the market reacted strongly to economic indicators of continued low unemployment and strong growth. The Fed's restraint in June was reflected in higher bond prices by end the quarter.

Interest Rates

At its May 16th meeting, the Federal Reserve's Open Markets Committee raised the Federal Funds Rate (the overnight rate at which banks lend to one another) by 50 basis points to 6.5%. In a related action, the Board of Governors approved a 50 basis point increase in the Discount Rate (the Federal Reserve member bank borrowing rate) to 6.0%. The Committee made its decision based on "the disparity in the growth of demand and potential supply which could foster inflationary imbalances that would undermine the economy's outstanding performance." The Fed maintained its existing stance of monetary policy at its June 28th meeting citing that "the expansion of aggregate demand may be moderating toward a pace closer to the rate of growth of the economy's potential to produce." However, the Committee believes the risks continue to be weighted mainly toward conditions that may generate heightened inflation pressures in the foreseeable future.

Construction, Housing, and Real Estate

Home building is generally representative of overall economic activity because new home construction stimulates a broad range of industrial, commercial, and consumer spending and investment. According to the U.S. Commerce Department's Bureau of the Census, new privately owned housing starts were at a seasonally adjusted annualized rate of 1.554 million units in June, 3.0% below the revised May estimate of 1.596 million units and 1.0% below the June 1999 rate. Single family housing starts in June were 1.214 million, 3.0% below the May level of 1.254 million units. In the first six months of 2000, housing starts have decreased 1.0% from 1999 totals.

The seasonally adjusted annual rate of new housing building permits (considered the best indicator of future housing starts) was 1.511 million units in June, unchanged from the revised May rate, but 11.0% below the June 1999 estimate of 1.696 million.

Unemployment

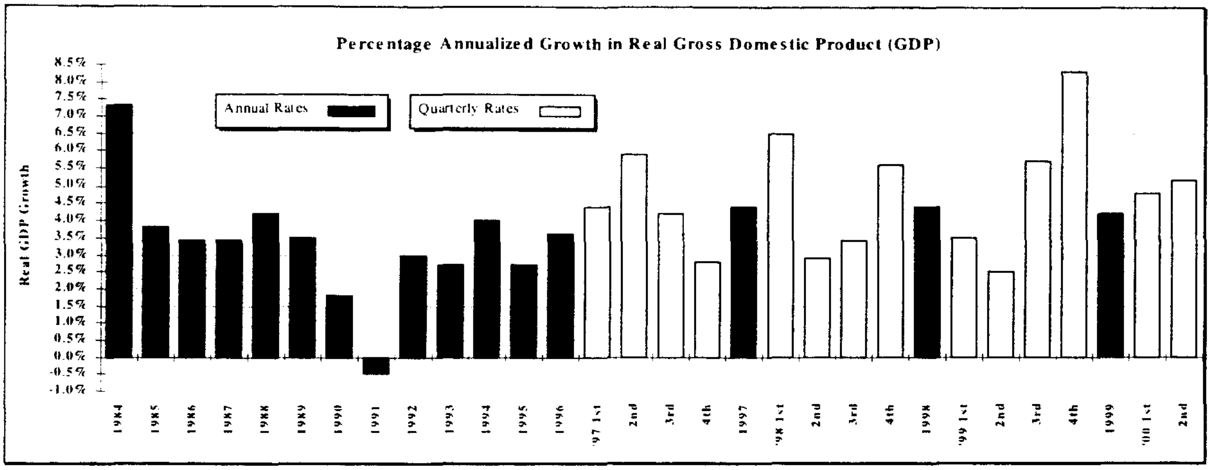
According to the Labor Department's Bureau of Labor Statistics, unemployment levels during the second quarter of 2000 remained historically low. After dropping to 3.9% in April, the unemployment rates for May and June were 4.1% and 4.0%, respectively. June marked the thirty-sixth consecutive month that the unemployment rate was below 5%. The unemployment rate for all of 1999 was approximately 4.2%, down from 4.5% in 1998. Tight labor markets remain a theme of Fed concerns regarding inflation.

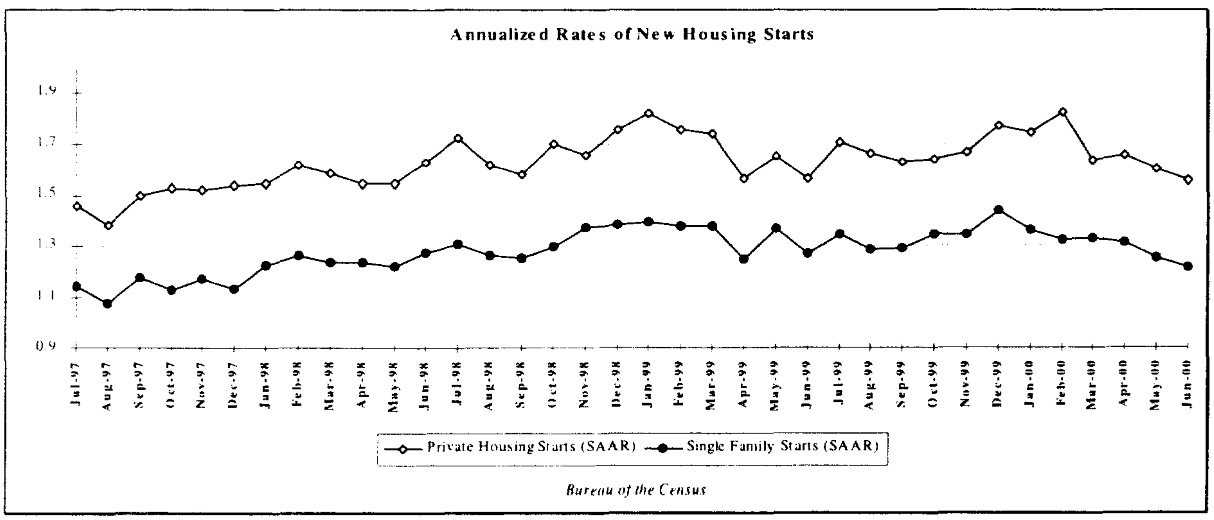
Summary and Outlook

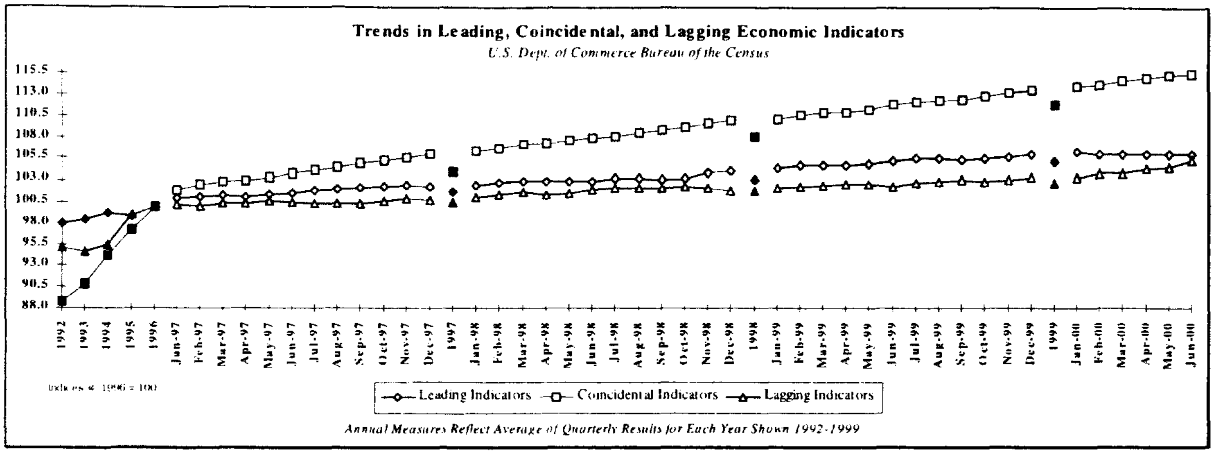
Economic growth, as measured by growth in GDP, accelerated to 5.2% in the second quarter of 2000, after registering a revised 4.8% annualized rate in the first quarter of 2000. Annual growth in GDP for 1999 was 4.2%. During second quarter 2000, the Dow decreased 4.3%, the S&P 500 decreased 2.9%, and the NASDAQ plummeted 13.3%. Bond yields moderated by the end of the quarter after increasing in May. First quarter inflation was a seasonally adjusted annualized rate of 2.6%, representing a decrease from the first quarter 2000 rate of 5.8%. The inflation rate for 1999 was 2.7%, higher than the 1.6% rate of 1998. The inflation rate is expected to continue at approximately 3.0% to 4.0% for the balance of the year. The Federal Reserve's Open Markets Committee raised key short-term interest rates by 50 basis points at its May 16th meeting and took no action at its June 28th meeting. Given a continuation of the current economic growth the Fed may continue to raise interest rates. The U.S. economy is expected to continue expanding with real GDP growth of approximately 4.0% in the coming quarter however many believe that growth will moderate by the end of the year.

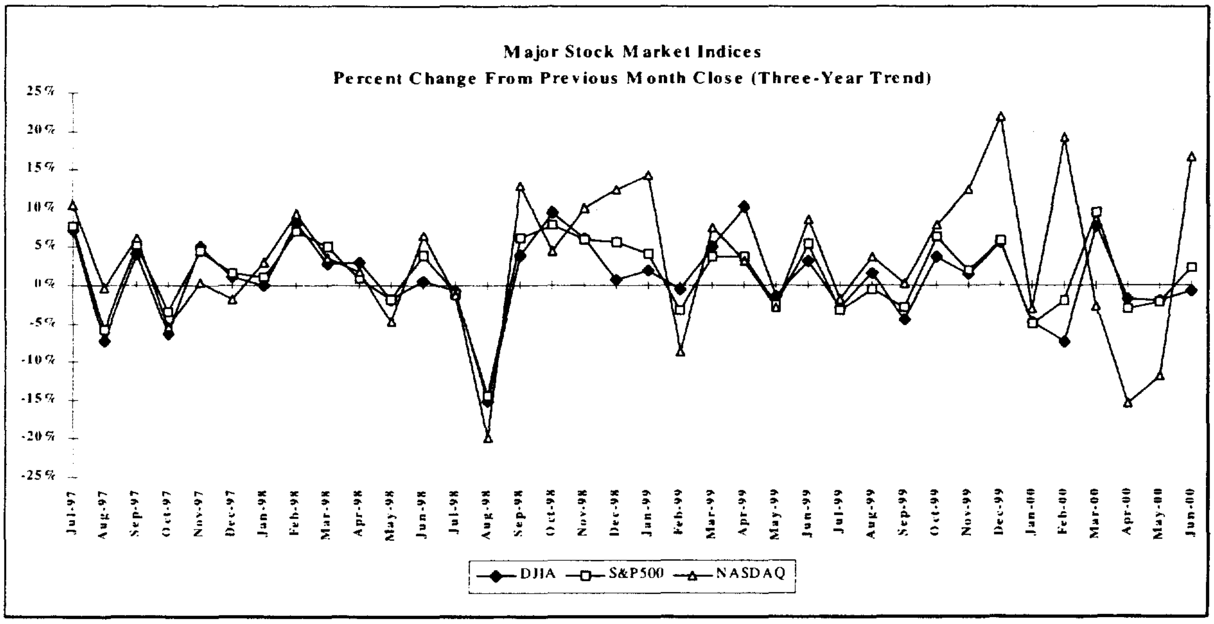
THE NATIONAL ECONOMIC REVIEW

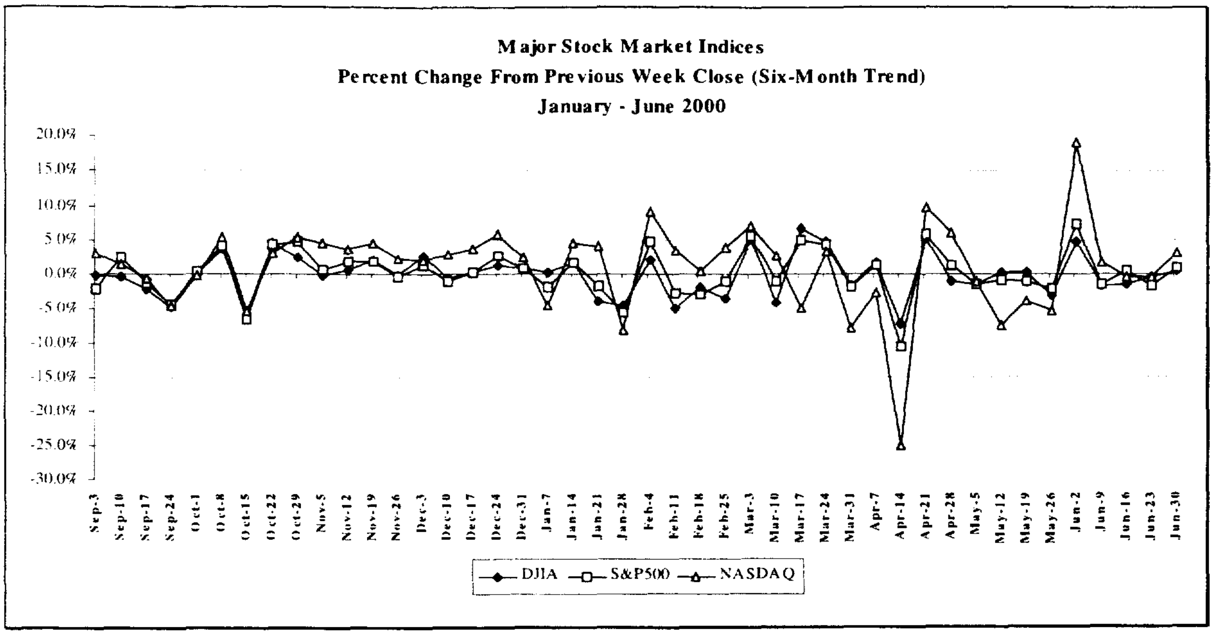
Supplemental Chart Exhibits for the Second Quarter 2000






Trends in Leading, Coincidental, and Lagging Economic Indicators
U.S. Dept. of Commerce Bureau of the Census
115.5
113.0
110.5
108.0
105.5
103.0
100.5
98.0
95.5
93.0
90.5
88.0
Leading Indicators
Coincidental Indicators
Lagging Indicators
Annual Measures Reflect Average of Quarterly Results for Each Year Shown 1992-1999


Major Stock Market Indices
Percent Change From Previous Month Close (Three-Year Trend)
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
DJIA
S&P500
NASDAQ

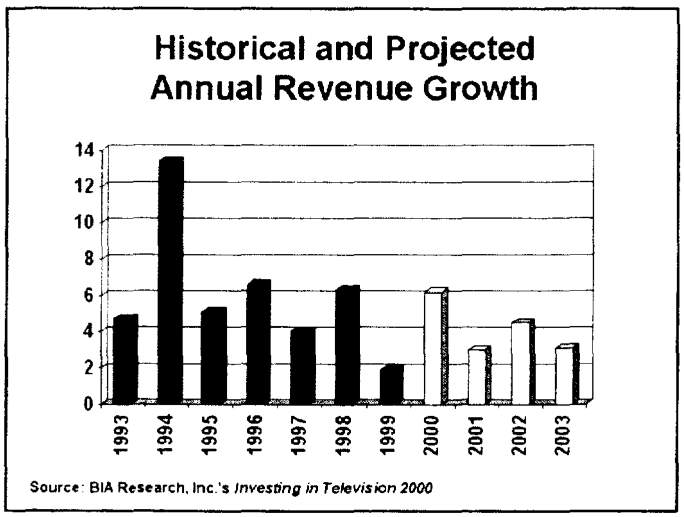

Major Stock Market Indices
Percent Change From Previous Week Close (Six-Month Trend)
January - June 2000
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
-30.0%
Sep-3
Sep-10
Sep-17
Sep-24
Oct-1
Oct-8
Oct-15
Oct-22
Oct-29
Nov-5
Nov-12
Nov-19
Nov-26
Dec-3
Dec-10
Dec-17
Dec-24
Dec-31
Jan-7
Jan-14
Jan-21
Jan-28
Feb-4
Feb-11
Feb-18
Feb-25
Mar-3
Mar-10
Mar-17
Mar-24
Mar-31
Apr-7
Apr-14
Apr-21
Apr-28
May-5
May-12
May-19
May-26
Jun-2
Jun-9
Jun-16
Jun-23
Jun-30
DJIA
S&P500
NASDAQ

The Television Industry (Spring 2000)

As of February 2000, there were 528 VHF and 786 UHF commercial television stations on the air in the United States. Nielsen estimates that cable penetration is 68% nationwide as of February 2000. The following text will provide a historical overview of the television industry and focus on the key issues facing the industry today and over the next several years.

Revenue

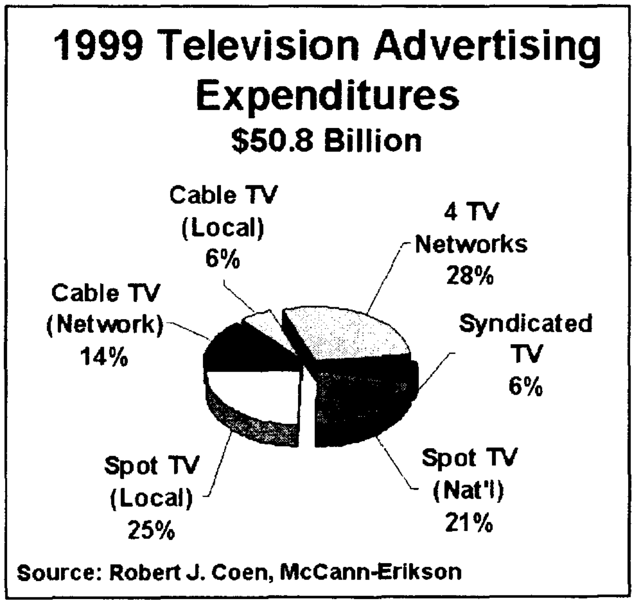
Once an industry made up of many family-owned businesses, ownership of the television industry today resides primarily with large companies. BIA Research, Inc. estimates that in 1999, the 12 largest owners accounted for approximately half of the $19.8 billion in gross advertising revenues. The four major network owners (ABC, CBS, Fox and NBC) generated the highest amount of revenue for owned and operated stations, accounting for 24% of total industry revenues.



Barring national economic factors, television revenue growth generally follows a four-year cycle, peaking when the Olympic games and Presidential elections coincide, as shown in the figure to the left. Revenue growth on a nationwide basis posted double digit gains of 13.4% in 1994[2], but slowed considerably in 1995, partially due to the absence of major political elections. Revenue growth rebounded slightly in 1996, climbing to 6.6%, and in 1998, reaching 6.3%. BIA Research's *Investing In Television 1999*

[2] Source: BIA Research, Inc.'s *Investing in Television 2000*

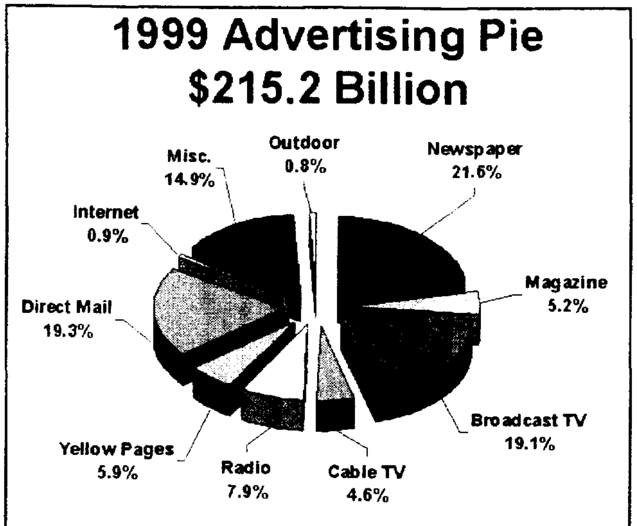
estimated revenue growth of only 1.9% in 1999. With a heated Presidential election and the Summer Olympics, BIA projects revenues to grow 6.2% in 2000.



A report released by Robert Coen of Madison Avenue firm McCann-Erickson reports that in 1999 total television[3] advertising dollars were higher than any other medium. According to Mr. Coen, total[4] television advertising revenue growth was nearly 5% in 1999, growing to more than $50.8 billion. Excluding cable television, broadcast television advertising accounted for $41.0 billion in 1999. The four major television networks account for $14.7 billion. Local spot advertising accounted for approximately $12.6 billion, while national spot advertising accounted for more than $10.9 billion.

[3] Including national spot, local advertising sales, cable television, and nationally syndicated and network television.

[4] Includes cable and syndicated television revenues.



Source: Robert J. Coen, McCann-Erikson

According to Mr. Coen, an estimated $215.2 billion dollars was spent on all media advertising in 1999, compared to $201.6 billion in 1998. As previously mentioned, broadcast television advertising, excluding cable, accounted for $41.0 billion, or 19.1%, of total advertising in 1999, while Newspapers ($46.6 billion) accounted for 21.6% of the total advertising, Cable ($9.8 billion) accounted for 4.6%, and Radio ($16.9 billion) accounted for 7.9%. The percentage of advertising dollars spent on television has increased since 1990, while the portion spent on newspaper advertising has declined. The portion spent on radio, magazines, yellow pages, and other sources has remained fairly static.

Digital Television Developments

Stations owned by or affiliated with the four major television networks in the country's 30 largest markets were required to begin providing digital broadcasting on their DTV channel by November 1, 1999. The remainder of the commercial stations will have until May 1, 2002 to get a digital signal on the air, while non-commercial stations will have until May 1, 2003. During the nine-year conversion to digital, broadcasters will transmit programs over two channels: the existing analog channel and a second digital channel. At the end of the DTV conversion period, one channel has to be returned to the FCC. While almost all full-power television stations will receive the second digital channel free, the cost of implementing digital broadcasting may be prohibitive for many stations.

Twenty-six local stations in the top 10 television markets volunteered to begin broadcasting DTV by November 1, 1998, six months early. In addition, 15 other stations in other markets voluntarily began broadcasting DTV by November 1. Tower problems have delayed efforts in several top 30 DMAs. All commercial television stations had until November 1, 1999 to apply for DTV CPs. As of November 1, 1999, 35 stations had been granted DTV licenses, 20 stations had DTV license applications pending, and 298 stations had DTV construction permits pending. Hundreds of other station had filed for minor modifications to their DTV signals.

In 1998, the FCC continued to fine-tune the technical rules and allotment table for DTV broadcasting and define and modify the status of remaining NTSC applications and construction permits. Stations currently operating below Channel 52 were given the option of moving the DTV signal to their original channels at the end of the DTV transition in their market, rather than remaining on their assigned DTV channels[5]. In addition, the FCC will permit DTV stations to operate with increased power or take other measures, such as modifying antenna height or changing the transmitter location, in order to improve their signal coverage, so long as the change will not result in more than a 2% increase in interference with another station. UHF DTV stations will be allowed to increase their radiated power to improve close-in reception by using increased antenna beam down-tilt to retain the existing signal level at the horizon.

The Balanced Budget Act of 1997 legislated that broadcasters could obtain an FCC extension to continue broadcasting in NTSC after December 31, 2006, until all of the Big Four network affiliates in their market are broadcasting DTV signals and 85% of the market's viewers can receive DTV. The intent is to eventually relocate all TV broadcasters to Channels 2 through 51.

According to FCC Chairman William Kennard, "There are still important issues to be addressed, such as: DTV set manufacturing; regular DTV programming; antenna tower siting issues in some cities, including some of the top ten markets; set-top box and digital-cable ready set compatibility; must-carry; and copyright protection."

[5] Channel 6 may be taken by the FCC to be used in digital FM radio broadcasting.

Legislation

In November 1999, Congress passed legislation allowing satellite television companies to retransmit local broadcast signals. Satellite television companies are also required to transmit all local signals if they decide to broadcast any local signals. However, no mention was made in the legislation as to whether or not the satellite television companies would be required to carry DTV signals.

In August 1999, the FCC voted to allow a single owner to own two television stations in a market, as long as there are eight distinct owners[6] after the deal, not including low power stations. In addition, the second station cannot be one of the top four rated stations in the market. The FCC did not begin accepting applications for a second station until November 16, 1999. Two potential large scale deals have already been announced. NBC Television announced its plans to acquire a one-third interest in Paxson Broadcasting, and Viacom International, part owner of UPN, announced that it is acquiring CBS Television.

The FCC also voted to allow cross-ownership of radio and television stations in a single market. With the new cross-ownership rules, a company can own up to two television stations and six radio stations in a market, if 20 independent voices remain after the deal. If there are fewer than 20 but more than 10 independent voices in the market, the owner may own up to two TV stations and four radio stations. According to the FCC, "Independent Voices" includes:

> "(1) all independently owned, full-power, operational commercial and non-commercial television stations licensed to a community in the DMA in which the TV station is located, (2) all independently owned, operational, commercial and non-commercial radio stations licensed to, or with a reportable share in, the radio metro market where the TV station involved is located; (3) daily newspapers are published in

[6] Includes all independently owned, full-power, operational commercial and non-commercial television stations in the market.

the DMA with a circulation exceeding five percent in the DMA; and (4) wired cable service (counted as a single voice), provided cable service is generally available in the DMA."

In November 1998, the FCC eliminated the existing rule prohibiting for-profit sales of unbuilt stations and extended the construction permit time period to three years for all services while severely restricting the availability of any extension, and modified the Annual Ownership Report to require the provision of information on the racial and gender identity of broadcast licensees.

Also in late 1998, the FCC determined that a fee of 5% of gross revenues will be assessed for use of DTV channels for fee-based services. Congress required that a fee be charged to broadcasters who choose to utilize segments of their digital channel for ancillary services instead of offering high-definition television. Since broadcasting in digital allows more signals to be sent on the same channel, broadcasters hope to recoup the funds spent converting their stations to digital by using segments of their digital channels for other, possibly fee-based, services.

> "Feeable services include all services which viewers must pay subscription fees to receive. The revenue base is to include both subscription fees and advertising revenues. Fees are not imposed upon revenues derived from home shopping and other direct marketing programming, or from retransmission consent agreements. However, the fees would be based upon virtually all other revenues derived by a broadcaster from digital transmissions other than advertising to support free over-the-air programming."[7]

Many broadcasters are now focusing on the best ways to use the spectrum that will be available when a digital station broadcasts in standard digital, rather than high-definition. The new spectrum could give the over-the-air television industry a

[7] *Fees Established for Ancillary Digital TV Services*, Peter Gutmann, Pepper & Corazzini, LLP.

boost in the digital age, as it could allow broadcasters the opportunity to offer services to consumers that were once the sole province of cable and Internet companies.

In 1997 two rule-makings changed the shape of the television industry. First, the Supreme Court upheld the "must carry" provision of the 1992 Cable Act. In addition, the Federal Communications Commission (FCC) approved a new digital television plan which gives stations free digital broadcast licenses, but requires them to begin broadcasting in a digital format by no later than 2002.

Upholding the "must carry" rule has had a significant impact on television stations, particularly independents, public broadcasting stations, home shopping stations, and other stations not affiliated with the major networks. Those stations not affiliated with the major networks were in the most danger of being dropped by local cable systems if "must carry" was not upheld. As the vast majority of these stations are UHF facilities, they depend heavily on cable carriage in order to provide competitive signal coverage of the market.

Broadcasters are now pressuring the FCC to extend the "must carry" rules to the digital channels, while cable operators are opposing government regulations. During the transition to digital television, stations will be able to broadcast on two channels, one for digital and one for analog. However, most cable systems do not have the channel capacity for the additional signals.

The FCC issued a Notice of Proposed Rulemaking[8] regarding cable carriage of DTV signals in July 1998. This proceeding considers multiple options ranging from full "must carry" to no "must carry". The FCC is expected to now consider all comments and make its decision. According to the National Association of Broadcasters (NAB), approximately two-thirds of viewing households receive their "local and broadcast programming via cable, making it a crucial link in the digital chain"[9]. Advocates for the cable industry, however, do not feel that it is in the cable

[8] CS Docket 98-120

[9] *TV Technology*, January 26, 2000.

companies' best interest to be forced to carry multiple digital channels for one broadcaster.

The Telecommunications Act of 1996, passed in February 1996, brought sweeping changes to the television industry. Passage of the Telecom Act eliminated the 12 station cap on station ownership and raised the coverage limit from 25% of the nation's homes to 35%.

Ratings

ABC was once again boosted by its hit game show, *Who Wants to Be a Millionaire?* during the February 2000 sweeps. ABC's ratings rose 21% over February 1999, and was the only major network to post a year-to-year gain. ABC averaged 16 million viewers in February 2000, compared to 13.4 million, 13.3 million and 10.1 million for NBC, CBS and Fox, respectively. UPN was the only other network to increase viewers in February 2000. UPN's ratings increasing nearly 40%, to about 4.1 million viewers nightly, due primarily to the popularity of its *WWF* programming. The WB network lost approximately one quarter of its audience from the February 1999 sweeps, partially blaming the decline on the loss of carriage on Chicago Superstation WGN-TV.

With the exception of the February 1998 sweeps, which were bolstered by the Winter Olympic Games, network television has been losing viewers for the past several years to cable television and other forms of entertainment, such as the Internet. While the declining network ratings are a cause for concern, television networks remain the most efficient medium for delivering large audiences to the advertisers.

Station Trading

Television station transactions reached more than $4.1 billion in 1999 with 114 stations changing hands, down from $7.0 billion in 1998, when approximately 180 stations were sold or proposed for sale. Approximately 220 stations sold in 1997 for

$6.2 billion. There has been a significant amount of transaction activity among the newer television networks, *PAX TV* (Paxson), UPN (Paramount), and WB (ACME), in the past two years, as they have been buying up many UHF and stick stations. Many expected the passage of television duopolies to prompt increased sales of television stations. Indeed, in late 1999, several television companies filed to purchase stations that had previously been operated under local marketing agreements (LMAs). Aside from this, however, there have been relatively few television duopoly sales to date. As of May 2000, 31 television stations had changed hands in 2000, for an aggregate $228 million dollars.

Outlook

The realization of DTV will have both a positive and negative impact on television broadcasters. The expected costs of implementing the new broadcast technology are high, thereby reducing cash flow in the early years. However, broadcasters are encouraged by the possibility of offering expanded or new services over the newly allocated spectrum that could allow them to be more competitive with local cable and Internet operators. With ad revenues of nearly $20 billion and a large established viewership, the television industry should remain a strong force well into the next century.

APPENDIX B

QUALIFICATIONS

QUALIFICATIONS OF GEOFFREY C. PRICE

Geoffrey C. Price is a Vice President for BIA Consulting, Inc. (BIA), a financial consulting firm specializing in the appraisal of mobile communications and broadcast properties and business plans and strategic analyses. Mr. Price has been at BIA since 1988 and has appraised hundreds of communications properties worth in aggregate more than one billion dollars.

As a manager/analyst with BIA, Mr. Price has been responsible for the preparation of tax appraisals, valuation studies, and litigation support for clients in the communications and broadcast industries. Mr. Price's appraisal and valuation experience is diverse, including reports for firms in the cellular, paging, SAR, cable, newspaper, and broadcast industries. Included among the clients that Mr. Price has prepared tax appraisal and fair market valuation reports are some of the largest corporations in the communications industry.

Prior to joining BIA, Mr. Price was employed by ADT Security Systems, Inc. in its Accounting Center located in Alexandria, Virginia. Mr. Price earned his B.S. degree in Finance from Virginia Polytechnic Institute and State University in Blacksburg, Virginia. Mr. Price received his M.B.A. from George Mason University in Fairfax, Virginia.